

What Have We Learned about Global Program Funds at Country Level? Summary of the Paris Workshop, May 30th, 2008

Meeting Objective. The objective of the meeting was to review and make recommendations on the World Bank's work on Global Program Funds (GPFs) over the last two years, including country consultations and a synthesis report, which will be put forward at the September Accra High Level Forum Round Table on the evolving aid architecture.

Background. GPFs are small relative to global aid flows but have become significant in size and numbers in many countries. In some countries they are a dominant source of finance for some sectors. GPFs have been particularly important in health, environment and education, and are expected to be prominent in new areas such as climate change and agriculture. An important dimension of GPFs is the intensity of their verticality. Intensive verticality results when a GPF is narrowly earmarked to a subsector objective and when the level of funding represents a large share of total sector spending in the country. GPFs vary significantly in their degree of verticality. They also differ in whether they are reported on government budgets or use country budget and fiduciary systems. The Paris Declaration acknowledged the growing importance of GPFs and the need to take specific actions to address "insufficient integration of GPFs and initiatives into partner countries' broader development agendas..." The draft synthesis paper, based on consultations with recipient countries (a workshop in Mauritius in 2007 and visits to Benin, Malawi, Mozambique, Rwanda, and Uganda), reports on progress and areas where more efforts are needed.

Report Findings and Messages

1. Ownership and alignment of aid flows with country priorities – what the report calls allocative alignment – are seen by countries as critical.
2. All countries consulted are making significant progress in ownership by defining their national development strategies and translating objectives in actionable MTEFs.
3. Governments place a high value on aid being "on budget," including funding from GPFs.
4. Increasingly GPFs are taking steps to integrate into country level development programs.
5. However, allocative distortions may emerge under intensely vertical GPFs.
6. The ability of the authorities to assess possible allocative imbalances and sustainability risks is impaired when GPFs are off-budget and do not provide adequate reporting on their funding.
7. Progress on the principles of managing for results and mutual accountability depends on choice of indicators and better approaches to attribution. GPFs that operate outside the budget should report on commitments and disbursements in line with the budget cycle.
8. GPFs with intense verticality should be implemented in a way that is conscious that imbalances may be created when the supply of local personnel in the sector is limited, particularly in the short run.
9. Partner countries face capacity constraints, and these pose a cross-cutting challenge in achieving the Paris Declaration principles.

10. As new global initiatives come forward, involving the creation of new vertical funds, their advocates and sponsors should consider early on the lessons learned from recent experience with other GPFs.
11. Official aid should maintain balance between vertical and horizontal approaches.

Country Response to the Synthesis Paper. There is general recognition that GPFs have been an important source of finance and innovation and a vehicle which has helped the development community focus on a few prioritized areas and on results. In some countries, GPF funding is considered a more predictable source of financing than funds from the government budget. As such, GPFs are difficult to turn down. But they have also posed challenges. In health, for example, they are often seen to have “tunnel vision” and to be creating supply-driven agendas and disease “silos.” They often create parallel systems and processes, limit ownership, crowd out other programs and strain capacity.

To better integrate at country level, GPFs need to commit more forcefully to the Paris Principles on alignment and, to an even greater extent, harmonization. Ideally, such a commitment should mean that GPFs prioritize their support according to government plans and through government budgets.

Developing countries also emphasized the need for capacity assistance, especially for support that links aligned strategies with implementation - including, for example, technical support for developing systems for performance based budgeting. Capacity support is also needed for parliamentarians and civil society, to whom GPFs and governments have accountability.

Feedback from the Global Programs Learning Group. Since 2006, Global Programs in education, environment, health, agriculture and urban affairs have been meeting together in the Global Programs Learning Group to share lessons on how to improve aid effectiveness, including integrating global program assistance into country priorities and systems, supporting country ownership, aligning and harmonizing assistance, and making good use of mutual accountability frameworks while continuing to emphasize results.

The Group suggested that because of different degrees of targeting, “vertical” is not an appropriate GPF characterization. It welcomed comments from countries and referred to the assistance GPFs are providing on building system capacity, independent of their spending on specific diseases. The Group acknowledged that, despite having a limited country presence, GPFs need to do more to strengthen capacity. It also cited progress on alignment and harmonization, including working with Ministries of Finance to bring GPF budgets onto those of governments. And it stressed GPF strengths in managing for results, as well as strong ownership by directly-involved stakeholders in civil society and the private sector.

The Group thought the synthesis paper could do more to acknowledge GPF strengths and the changes GPFs have made since the dialogue on the Paris Declaration began. While challenges remain, there is a clear commitment by GPFs to improve the effectiveness of aid delivered. Supportive policies by other donors can facilitate the process.

Main Points of Discussion

New terminology is needed that more accurately characterizes what GPFs do.

Subsequently, there has been agreement on the term “Global Program Funds” as large multi-country funds that contain a significant element of earmarked funding for specific objectives with thematic, sectoral or subsectoral breadth. GPFs are financing instruments of global programs.

Results-based management approaches is a leading characteristic of GPFs. Participants were careful to recognize that the GPF focus on outcomes should not be necessarily as narrow as restricted to a disease, for example, and that an outcomes-based focus leads to impact on broader systems (while at the same time achieving a defined outcome). The Global Fund's malaria and HIV work and Global Fund and PEPFAR contributions to improving overall hospital care in Rwanda are examples.

PEPFAR, GAVI and GFATM emphasized progress over the last five years which should dispel the dichotomy between “vertical” and “horizontal,” and support the idea that GPFs are indeed addressing systemic outcomes. This includes a strengthened relationship with Ministries of Finance, discussions with governments on funding national strategies (and bringing more predictable funding to such strategies), a widely diversified group of implementing partners, and assistance to overall capacity building efforts which are contributing to more functional country systems.

Ironically, these more systemic efforts could weaken the funding base of GPFs whose constituents are interested in targeted results. GPFs are associated with measurable results around the MDGs, and as such are an important part of sustaining a constituency base for aid. However, GPF support for some country systems may blur the mandate among donors, lessen visibility for particular achievements and confuse donor electorates about why GPFs were established in the first place. This puts donors in a difficult position in deciding whether to support GPFs or more traditional UN organizations whose mandates are focused on system building.

Clearer distinctions are needed between different kinds of programs, whether and how they are providing additionally, and the interdependencies between “vertical” and “horizontal” efforts. The synthesis paper could do more to “unpack” the issue of the different kinds of GPFs providing support through different channels, recognizing that there are also program like EFA FTI that take an explicit sector-wide approach and deliver funding through direct budget support. More attention should also be given to non-health and education programs and how they fit at country level. Finally, clearer distinctions are needed between the kinds of services provided and outcomes sought among GPFs, distinguishing between those programs providing global public goods and those providing national goods.

Such distinctions would contribute to the articulation of a clearer set of messages which are needed for Accra. These messages should include the results achieved, the specific value-added of global funds, their cost-effectiveness (including, for example, their purchasing power to shape

global markets - e.g., drugs), and next steps to improve aid effectiveness on the part of all actors. This would also help dispel the sense in some countries that there is not, mandates aside, much difference between GPFs and other donors in terms of bureaucracy and agility in responding to needs on the ground.

The UN coordination/implementation and IDA platform roles, which might serve to better integrate GPFs at country level requires more exploration (the Global Environment Facility is a good example). Among the important questions is the accountability of different governance structures, where large GPFs have more limited mandates than the institutions through which they are often implemented.

The UN's role in assisting country governments to develop national framework plans and budgets which would promote alignment also needs further exploration. The degrees to which country systems are open to incorporating GPFs vary, and the donor community as a whole still lags behind in responding to country reform efforts.

A longer-term, government-driven capacity building effort is needed, but it is not clear which donors should contribute and how. Should GPFs strengthen their individual capacity building efforts? Or might they contribute to a pooled fund for capacity building in a particular sector?

Conclusions and Main Messages for Accra

The message should be focused, with a clear understanding of who the audience is, and should not pit “vertical” against “horizontal” efforts. It should also be disentangled from the messages on alignment/ownership and harmonization which will be put forward for bilateral and multilateral donors (i.e. there is a need to emphasize what is different about GPFs).

An overall message is that **GPFs are bringing important benefits in terms of impact and insights to development.** To maximize these impacts, GPFs must be better integrated with country frameworks and implementation processes in which all donors are aligned and harmonized and which are owned by national governments and their stakeholders.

There was a consensus that funding from GPFs should be provided on plan and on budget. In the regard, there has been good progress, but much remains to be done, especially as more GPFs are likely to be established.

The messages at Accra should also do the following:

- **Incorporate positive lessons learned to date, while maintaining balance.**
- **Stress the GPF results orientation, and quantify those results.**
- **Stress the innovative, predictable, timely and - at least for those donors not providing .7\$ of GNI - additional nature of these funds.**
- **Point to the important role GPFs have played in “up-stream harmonization.”**
- **Explore the appropriate balance between “vertical” and “horizontal” funding.**
- **Stress, partly for political reasons, the strong complementarity of the two approaches.**

- Recognize that GPFs were created in part as a reaction to **doing business differently**, that existing aid structures don't always deliver the desired results (and the political reality behind this proposition).
- Make clear that **GPFs are part of the development finance system and should be guided by the principles of the Paris Declaration.**
- Stress the importance of being **on budget and on plan** - but also **staying adequately focused while avoiding “tunnel vision.”**
- Emphasize the **diversification of donors** (and by extension, decision makers) in global programs, and the advantages therein.
- Incorporate lessons learned to date in the **design of new GPFs.**
- Emphasize that GPFs are more than just funding mechanisms - they are **dynamic partnerships**. GPFs have been especially important in **expanding partnerships with the private sector and civil society and accountability to these groups**. In this regard, also focus on **GPFs as part of the broader PRSP process** which involves these actors.
- Recognize that some funds will always flow outside of government but that these **need to be made more transparent.**
- Focus on developing a **common country based M&E framework.**
- **Develop a systematic framework for capacity building** and recognize that this is a developing country responsibility (the Bonn Consensus).
- Emphasize the **joint selection of management of technical cooperation to support local priorities** and expanding the choice of technical cooperation partners to ensure access to local and south-south expertise.
- Recognize the **particular contributions of global programs in the context of fragile states.**
- Recognize the need to **connect decisions and activities of GPFs to country decentralization efforts** (which are on plan and on budget).
- **Stress the role of the UN system as coordinating mechanism.**
- Acknowledge that, throughout all of this, **there is not a “one size fits all” solution.**

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